

PROGRAM NARRATIVE**401 Office of the Insurance Commissioner****Date:** 12/23/2014**Time:** 12:48:13**Program:** Grants To Local Fire Departments**Reporting level:** 00-401-035-00-00-00-00000000**Program Performance Measures**

Two annual payments of \$7,268,193 (appropriated amount) are distributed from the Insurance Tax Distribution Fund to the fire departments and fire protection districts based on their proportionate market share of the total premium dollars sold as reported to the Department. Two annual payments of \$400,000 are distributed from the Insurance Tax Distribution Fund to the North Dakota Firefighters Association.

Program Statistical Data

To provide annual funding to the city fire departments, rural fire protection districts and the North Dakota Firefighters Association.

Explanation of Program Costs

The expenses associated with accurately calculating payments to fire departments and fire protection districts are part of the Department's salary line.

Program Goals and Objectives

North Dakota currently has 371 certified fire departments and certified fire protection districts that receive annual funding from the appropriated insurance premium tax. The Department strives to calculate the payments to the departments accurately and make the disbursements before December 1 of each year.

REQUEST DETAIL BY PROGRAM

401 Office of the Insurance Commissioner

Biennium: 2015-2017

Bill#: SB2010

Date: 12/23/2014

Time: 12:48:13

Program: Grants To Local Fire Departments**Reporting Level:** 00-401-035-00-00-00-00000000

Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Request 2015-2017
Grants to Fire Districts					
Grants, Benefits & Claims	6,851,684	15,336,386	0	15,336,386	0
Total	6,851,684	15,336,386	0	15,336,386	0
Grants to Fire Districts					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	6,851,684	15,336,386	0	15,336,386	0
Total	6,851,684	15,336,386	0	15,336,386	0
Total Expenditures	6,851,684	15,336,386	0	15,336,386	0
Funding Sources					
Special Funds					
240 Insurance Tax Distrib. Fund 240	6,851,684	15,336,386	0	15,336,386	0
Total	6,851,684	15,336,386	0	15,336,386	0
Total Funding Sources	6,851,684	15,336,386	0	15,336,386	0

CHANGE PACKAGE DETAIL

401 Office of the Insurance Commissioner
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Program: Grants To Local Fire Departments

Reporting Level: 00-401-035-00-00-00-00000000

Description	Priority	FTE	General Fund	Federal Funds	Special Funds	Total Funds
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Base Budget Changes**Ongoing Budget Changes****Total Ongoing Budget Changes****Total Base Budget Changes**

0.00	0	0	0	0
0.00	0	0	0	0

PROGRAM NARRATIVE**401 Office of the Insurance Commissioner****Date:** 12/23/2014**Time:** 12:48:13**Program:** Regulatory and Administration**Reporting level:** 00-401-100-00-00-00-00000000**Program Performance Measures****Legal Division**

Advise the Commissioner and Department staff on legal issues in an accurate, efficient and effective manner. The Division will meet all statutory guidelines with regard to timeliness as required by statutes and Administrative Rules. The Legal Division seeks to respond to staff and the public immediately on critical time urgent issues; within 48 hours on less complicated, less urgent issues; and within 10 working days on complex issues that require significant research and analysis. The division tracks the opening and closing of all investigations for timeliness and efficiency.

Product Filing Division

Complete 100 percent of policy, rate and form filings within the statutory review period of 60 days. Ensure that all the information provided on the Department's website is accurate and up to date. Respond accurately and within 24 hours to all consumer inquiries.

Examinations and Company Licensing Division

Review and approve company license applications, issue certificates of authority, process yearly license renewals and maintain a company licensing database. Provide timely and accurate information to consumers, insurance companies and others. Perform ongoing financial analysis of domestic companies' annual and quarterly statements and other required filings in conformity with the National Association of Insurance Commissioners' accreditation standards. Perform financial examinations to determine the insurers' financial condition and compliance with North Dakota law, while conforming to the National Association of Insurance Commissioners' accreditation standards.

Agent Licensing Division

Review and approve clean agent license applications within 15 days. Continue to utilize and implement new electronic initiatives in an effort to further improve the electronic licensing and renewal processes for agents licensed to do business in North Dakota. Maintain a timely workflow process for licensing and renewal processing for agents. Provide timely and accurate information to agents, companies, legislators and other on all licensing matters by utilizing Department's website and other outreach efforts.

Consumer Assistance Division

The State Health Insurance Counseling Program will plan, schedule and provide outreach and education activities targeting Medicare beneficiaries of all ages and recruit, maintain and train volunteers to assist the program while meeting all federal grant requirements. The Prescription Connection Program will effectively promote the program to potential consumers and track its impact. All inquiries will be responded to within 24 hours. Staff will resolve 75 percent of cases within 60 days.

Administration Division

Provide accurate and timely information to all employees, officials, companies and consumers. Maintain an efficient and effective information technology program that will enable quality work from employees, create efficiencies within the department and provide accurate information to our customers. Manage the department's finances accurately and according to state and federal laws. Ensure department staff are well trained, motivated and rewarded appropriately.

Special Funds

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For the Fire and Tornado Fund, Bonding Fund, Petroleum Tank Release Compensation Fund, manage and administer the funds under state laws while maintaining healthy fund reserve balances. To contact insured within 24 hours of claim notification to begin the claim process. Set a reserve as close as possible to the claim value or loss. Begin claim investigation within 24 hours of claim receipt and review the progress of the claim every 30 days until completion/resolution. Process claim payments within 24 hours of receiving the signed proof of loss or judgment.

The Boiler Inspection program will complete all inspections on schedule holding all owners and operators accountable to the National Board for Pressure Vessel Standards and provide assistance to all owners and operators in repairs and timely inspections of repairs.

Program Statistical Data**Legal Division**

The Legal Division serves the Commissioner and Insurance Department staff on legal issues as they are presented. In 2012, agent and company administrative fines were \$1,257,760.89 and in 2013 the fines were \$986,786.70. The agent and company administrative investigation consumer relief was \$0 for 2012 and \$0 for 2013.

Product Filing Division

The Product Filing Division reviews and approves policy, rate and form filings on insurance products offered in North Dakota. The division reviewed and processed 11,973 filings in 2012 and 2013 for all product lines under Property and Casualty and Life and Health product contracts. This included policy forms for new and revised contracts, rate requests for new and re-filed rates, as well as any required Compliance reports.

Examinations and Company Licensing Division

The Company Licensing Division licensed 1,371 insurance companies in 2013, of which 34 are domestic companies. Registered entities totaled 892. For the fiscal year ended June 30, 2013, the division completed and issued 14 reports of examination. The financial analysis and examination functions are subject to a comprehensive peer review every five years by the National Association of Insurance Commissioners (NAIC) to determine compliance with its accreditation program. The most recent peer review was conducted in June 2012 resulting in the Department's reaccreditation for another five years; the accreditation status was formally awarded at the NAIC national meeting in August 2012. An Interim Annual Report is filed with the NAIC's Accreditation Manager in May of each year providing a detailed status report of the Division's activities. No exceptions to the accreditation standards were noted in the May 2014 Interim Annual Report.

Agent Licensing Division

The total number of licensed resident and nonresident agents as of December 31, 2012 was 55,133. The total number of licensed resident and nonresident agents as of December 31, 2013 was 56,119.

Consumer Assistance Division

In 2012/2013 the Hotline received/made 23,392 calls and worked with 331 walk-ins. Life and Health consumer complaint volume for the years 2012 and 2013 totaled 98 formal complaints with a total financial relief to consumers of \$444,622.

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Property & Casualty Consumer complaint volume for the years 2012 and 2013 totaled 302 with a total financial relief to consumers of \$2,973,389. The State Health Insurance Counseling (SHIC) is a program designed to provide free and unbiased counseling to Medicare beneficiaries. There are currently 67 active program counselors across the state. During the calendar years 2012 and 2013, there were 163 Medicare-related events, including presentations, booths, mailers, media articles, and training/educational activities. The SHIC program directly assisted 21,130 Medicare beneficiaries with Part D enrollment opportunities or addressing various complaints or appeals related to Medicare products during the calendar years 2012 and 2013. The Prescription Connection, program to assist people to connect with programs offered by pharmaceutical manufacturers, received requests for prescription assistance from 625 people in 2012 and 2013. The estimated relief to consumers was approximately \$1,044,515.

Administration Division

The Administration Division primarily serves the staff within the department and other state agencies in the areas of budget, information technology, public relations and administrative support.

Special Funds

There are 1,137 Fire and Tornado Fund policyholders with 9,565 building property locations, 6,533 personal property locations, 5,028 outdoor property locations, and 130 trailer property locations for a combined insured value of \$12.04 billion.

The Boiler and Pressure Vessel Inspection program provides mechanical inspections of boilers and pressure vessels and their components. There are approximately 10,204 boilers of all types in business, industries and large apartment buildings. The program inspected 5,485 boilers in 2012 and 6,835 in 2013.

The Petroleum Tank Release Compensation Fund provides contaminated clean-up coverage and third-party liability coverage to petroleum tank owners and/or operators. There are approximately 1,669 registered sites that pay an annual registration fee for approximately 5,745 tanks.

The State Bonding Fund has provided fidelity blanket fund coverage to the State and its political subdivisions at no cost to the bondholder. There are 2,989 bondholders with approximately \$704,223,861 in coverage in force.

Explanation of Program Costs**Legal Division**

The Legal Division consists of seven full time staff: general counsel, three attorneys, legal assistant and two fraud investigators. Division expenses consist of salaries and benefits, general operating expenses, computer upgrades, system enhancements, professional development and related travel, litigation expenses and fraud investigation related travel.

Product Filing Division

The Product Filing Division consists of seven full time staff: four rate & form analysts and three actuarial positions. Division expenses consist of salaries and benefits, training and professional development, general operating expenses, computer upgrades and system enhancements.

Examinations and Company Licensing Division

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The Examinations and Company Licensing Division consists of seven full time staff: chief examiner, supervising examiner, two junior examiners, two financial analysts and company licensing clerk. Division expenses consist of salaries and benefits, general operating expenses, computer upgrades, system enhancements, professional development and related travel. Examiners' out-of-pocket travel expenses for conducting an examination are reimbursed directly to the examiners by the insurance company as authorized under N.D.C.C. Section 26.1-03-19.6.

Agent Licensing Division

The Agent Licensing Division consists of four full time staff: director and three agent licensing specialists. Division expenses consist of salaries and benefits, general operating expenses, computer upgrades, system enhancements, professional development and related travel.

Consumer Assistance Division

The Consumer Assistance Division consists of six full time staff: director and five consumer assistance investigators. The consumer assistance investigators assist consumers with insurance policy inquiries and complaints, Prescription Connection assistance and the State Health Insurance Counseling Program. Division expenses consist of salaries and benefits, general operating expenses, computer upgrades, system enhancements, professional development and related travel. State Health Insurance Counseling (SHIC) program costs are funded by a federal grant from the Administration for Community Living (ACL).

Administration Division

The Administration Division consists of nine full time and one part time staff: the Commissioner, deputy commissioner, executive assistant, accountant, public information officer, administrative officer, information technology administrator, two full time and one part time office assistants.

Special Funds

The Special Funds division consists of seven full time and one part time staff. The Fire and Tornado Fund's expenses include the salaries and benefits of a chief boiler inspector, three boiler inspectors, an underwriter, an appraiser/claim examiner, one part-time administrative clerk and a percentage of the director's salary. The Petroleum Tank Release Compensation Fund and State Bonding Fund's expenses include the remaining salary of the director. All special fund expenses consist of general operating expenses, system maintenance and enhancements, professional development, and program related travel costs in addition to the salary allocations. Investigation and claim expenses are allocated loss expenses paid directly out of the respective fund reserves.

Program Goals and Objectives**Legal Division**

Advise Insurance Department staff and Commissioner on a regular basis regarding application and interpretation of insurance laws, rules and policy provisions; prepare memoranda on legal issues and prepare correspondence as necessary. Initiate and follow through with administrative action against producer and company licenses and investigate and refer fraudulent insurance activities for criminal prosecution. Adopt administrative rules including conducting hearings, draft proposed legislation, and prepare bulletins, and testify before legislative committees. Conduct company market conduct examinations and prepare company market analysis studies and consult with Commissioner and Insurance Department staff as necessary. Assist with the administration of Special Funds by reviewing and resolving claims, providing legal advice and assistance, assisting with enforcement and assisting with collection of fees. The Division is also responsible for investigations of fraud, improper selling or marketing activities and to make sure all producers and companies are complying with applicable insurance laws. Represent the Department in adjudicative proceedings including administrative hearings, district courts and appellate courts as necessary.

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To protect insurance consumers of North Dakota by reviewing the policy, rate and form filings submitted by various insurance companies to ensure compliance with State law, actuarial principles and reasonableness before approving for use in North Dakota. These forms and rates are not approved if the benefits provided are unreasonable in relation to the premium charge or if the benefits do not comply with NDCC.

Examinations and Company Licensing Division

To protect insurance consumers of North Dakota by licensing insurance companies and registering qualified entities to transact business in the state. Monitor the financial strength of insurance companies on an on-going basis to ensure they have funds to pay policyholder claims and perform periodic financial audits of North Dakota domiciled companies to substantiate that they are financially sound and complying with state laws.

Agent Licensing Division

To protect insurance consumers of North Dakota by issuing, renewal and on-going processing of licenses for agents, surplus lines, consultants, third party administrators and viatical settlement brokers. To monitor licensees for compliance of required continuing education credits. To work with the North Dakota Bureau of Criminal Investigations in performing background checks on new resident agents.

Consumer Assistance Division

To protect insurance consumers of North Dakota by assisting and educating those with issues or concerns with any insurance products or claims. To provide unbiased counseling to Medicare beneficiaries of all ages who have questions about Medicare and Medicare insurance products.

Administration Division

To provide superior service to both internal and external customers. To wisely manage the financial and human resources of the department. To continue to use information technology resources to increase the electronic submittal of applications and forms, accept electronic payment and create efficiencies within the department.

Special Funds

To provide affordable property insurance coverage and inspection services to the Fire and Tornado fund policyholders. To provide affordable petroleum contaminate reimbursement coverage to all required petroleum tank owners and operators for reasonable and "eligible" cleanup expenses. To protect State Bonding Fund covered entities against the theft of money and property by an employee and to educate bondholders on the importance of having sufficient financial controls and safeguards in place to minimize the opportunity for theft. Handle the needs of our customers the right way, the first time in an accurate, fair and timely manner while keeping prevention, safety and education in mind.

REQUEST DETAIL BY PROGRAM

401 Office of the Insurance Commissioner

Bill#: SB2010

Date: 12/23/2014

Time: 12:48:13

Biennium: 2015-2017

Program: Regulatory and Administration		Reporting Level: 00-401-100-00-00-00-00000000			
Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Request 2015-2017
Salaries and Wages					
Salaries - Permanent	4,367,547	5,758,333	234,824	5,993,157	0
Salaries - Other	0	0	15,000	15,000	0
Temporary Salaries	2,422	53,784	(14,264)	39,520	0
Overtime	0	166	(166)	0	0
Fringe Benefits	1,628,521	2,207,231	183,754	2,390,985	0
Total	5,998,490	8,019,514	419,148	8,438,662	0
Salaries and Wages					
General Fund	0	0	0	0	0
Federal Funds	270,824	439,447	(83,594)	355,853	0
Special Funds	5,727,666	7,580,067	502,742	8,082,809	0
Total	5,998,490	8,019,514	419,148	8,438,662	0
Accrued Leave					
Salaries - Permanent	0	163,182	(163,182)	0	0
Total	0	163,182	(163,182)	0	0
Accrued Leave					
General Fund	0	0	0	0	0
Federal Funds	0	5,726	(5,726)	0	0
Special Funds	0	157,456	(157,456)	0	0
Total	0	163,182	(163,182)	0	0
Operating Expenses					
Travel	219,446	397,024	40,891	437,915	0
Supplies - IT Software	62,347	89,490	7,870	97,360	0
Supply/Material-Professional	15,380	16,980	2,385	19,365	0
Food and Clothing	1,752	1,100	1,600	2,700	0
Bldg, Ground, Maintenance	190	100	0	100	0
Miscellaneous Supplies	5,305	15,980	0	15,980	0
Office Supplies	19,656	28,820	0	28,820	0
Postage	71,784	99,875	(3,625)	96,250	0
Printing	37,232	58,666	(12,331)	46,335	0
IT Equip Under \$5,000	27,639	39,050	(3,900)	35,150	0
Other Equip Under \$5,000	2,439	200	(200)	0	0
Office Equip & Furn Supplies	37,560	28,985	(8,185)	20,800	0
Insurance	13,374	15,175	(10,105)	5,070	0
Rentals/Leases-Equip & Other	15,221	21,840	(2,400)	19,440	0

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Biennium: 2015-2017

Program: Regulatory and Administration		Reporting Level: 00-401-100-00-00-00-00000000			
Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Request 2015-2017
Rentals/Leases - Bldg/Land	284,996	364,449	65,318	429,767	0
Repairs	29,404	2,630	3,926	6,556	0
IT - Data Processing	234,774	376,954	26,996	403,950	0
IT - Communications	65,460	94,136	(20,006)	74,130	0
IT Contractual Svcs and Rprs	138,496	68,600	(30,252)	38,348	0
Professional Development	45,612	82,608	(10,131)	72,477	0
Operating Fees and Services	96,510	138,310	(7,966)	130,344	0
Fees - Professional Services	186,529	917,036	(385,851)	531,185	0
Total	1,611,106	2,858,008	(345,966)	2,512,042	0
Operating Expenses					
General Fund	0	0	0	0	0
Federal Funds	420,547	935,852	(692,031)	243,821	0
Special Funds	1,190,559	1,922,156	346,065	2,268,221	0
Total	1,611,106	2,858,008	(345,966)	2,512,042	0
Capital Assets					
IT Equip/Sftware Over \$5000	0	0	90,000	90,000	0
Total	0	0	90,000	90,000	0
Capital Assets					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	0	0	90,000	90,000	0
Total	0	0	90,000	90,000	0
Grants to Fire Districts					
Grants, Benefits & Claims	170,000	0	0	0	0
Total	170,000	0	0	0	0
Grants to Fire Districts					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	170,000	0	0	0	0
Total	170,000	0	0	0	0
American Health Benefit					
Travel	1,205	0	0	0	0

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Program: Regulatory and Administration		Reporting Level: 00-401-100-00-00-00-00000000			
Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Request 2015-2017
Printing	5	0	0	0	0
Rentals/Leases-Equip & Other	29	0	0	0	0
Rentals/Leases - Bldg/Land	1,549	0	0	0	0
IT - Data Processing	10,234	0	0	0	0
Professional Development	369	0	0	0	0
Fees - Professional Services	218,588	0	0	0	0
Total	231,979	0	0	0	0
American Health Benefit					
General Fund	0	0	0	0	0
Federal Funds	231,979	0	0	0	0
Special Funds	0	0	0	0	0
Total	231,979	0	0	0	0
Federal Affordable Care Act					
Salaries - Permanent	186,018	0	0	0	0
Fringe Benefits	65,716	0	0	0	0
Travel	10,163	0	0	0	0
Supplies - IT Software	2,005	0	0	0	0
Supply/Material-Professional	563	0	0	0	0
Miscellaneous Supplies	16	0	0	0	0
Office Supplies	407	0	0	0	0
Postage	372	0	0	0	0
Printing	213	0	0	0	0
IT Equip Under \$5,000	2,613	0	0	0	0
Office Equip & Furn Supplies	9,319	0	0	0	0
Insurance	426	0	0	0	0
Rentals/Leases-Equip & Other	460	0	0	0	0
Rentals/Leases - Bldg/Land	19,000	0	0	0	0
Repairs	28	0	0	0	0
IT - Communications	1,247	0	0	0	0
Professional Development	2,048	0	0	0	0
Operating Fees and Services	2,689	0	0	0	0
Fees - Professional Services	141	0	0	0	0
Total	303,444	0	0	0	0
Federal Affordable Care Act					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0

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Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Request 2015-2017
Special Funds	303,444	0	0	0	0
Total	303,444	0	0	0	0
Total Expenditures	8,315,019	11,040,704	0	11,040,704	0
Funding Sources					
Federal Funds					
002 Federal Fund Budget	0	0	0	0	0
R051 Health Insurance Premium Review	217,983	660,000	(660,000)	0	0
R052 State Health Insurance Counseling	705,367	721,025	(121,351)	599,674	0
Total	923,350	1,381,025	(781,351)	599,674	0
Special Funds					
003 Special Fund Budget	0	0	0	0	0
209 Unsatisfied Judgement Fund 209	16,820	28,690	(755)	27,935	0
210 State Bonding Fund 210	38,475	45,198	4,059	49,257	0
211 State Fire & Tornado Fund 211	1,474,426	1,552,929	302,082	1,855,011	0
233 Petroleum Rel. Comp. Fund 233	99,506	107,598	5,798	113,396	0
239 Insurance Reg. Trust Fund 239	5,762,442	7,925,264	470,167	8,395,431	0
Total	7,391,669	9,659,679	781,351	10,441,030	0
Total Funding Sources	8,315,019	11,040,704	0	11,040,704	0
FTE Employees	49.50	49.50	0.00	49.50	0.00

CHANGE PACKAGE DETAIL

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Description	Priority	FTE	General Fund	Federal Funds	Special Funds	Total Funds

Base Budget Changes**One Time Budget Changes**

A-B 2 Base Budget IT Software		0.00	0	0	90,000	90,000
Total One Time Budget Changes		0.00	0	0	90,000	90,000

Ongoing Budget Changes

A-A 1 Base Budget Operating Expenses		0.00	0	(692,031)	346,065	(345,966)
Base Payroll Change		0.00	0	(89,320)	345,286	255,966
Total Ongoing Budget Changes		0.00	0	(781,351)	691,351	(90,000)
Total Base Budget Changes		0.00	0	(781,351)	781,351	0